

CITY OF ALTON, IOWA  
Alton, Iowa

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended  
June 30, 2015

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**CITY OF ALTON, IOWA**

**OFFICIALS**

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<b>Name</b>	<b>Title</b>	<b>Term Expires</b>
Ron Minton	Mayor	December, 2017
Blake Bengard	Mayor Pro-Tem	December, 2017
Leon Kleinhesselink	Council Member	December, 2015
Brian Schutt	Council Member	December, 2017
Dan Vande Griend	Council Member	December, 2017
Steve Zenor	Council Member	December, 2015
Dale Oltmans	City Administrator	No Term Limit
Laurie Stoos	Deputy Clerk	No Term Limit
Brad DeJong	Attorney	December, 2015

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council  
Alton, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alton, Iowa as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alton, Iowa, as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting

principles generally accepted in the United States of America. Our opinions are not modified with respect to that matter.

### **Emphasis of a Matter**

As disclosed in Note 4 to the financial statements, the City of Alton adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Alton, Iowa's basic financial statements. The supplementary information on pages 31 through 32 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability, and the Schedule of the City contributions on pages 4 through 8 and 25 through 30, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated December 21, 2015 on our consideration of the City of Alton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Alton's internal control over financial reporting and compliance.

*Williams & Company, P.C.*  
Certified Public Accountants

Le Mars, Iowa

December 21, 2015

**CITY OF ALTON, IOWA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

The City of Alton provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

**2015 FINANCIAL HIGHLIGHTS**

- Receipts of the General Fund increased \$39,381.
- Disbursements of the General Fund decreased \$3,285.
- The City's total General Fund cash basis net position decreased \$26,792 for fiscal year 2015. This is due to overall actual revenues being less than budgeted revenues. This in large part was due to the decision to transfer less Local Option Sales Tax than budgeted and to use cash reserves instead.

**USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statements consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the City's nonmajor governmental funds.

**BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position on a cash basis. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax, state and federal grants, and charges for services finance most of these activities.
- Business-type activities include the electric, water, sewer and gas. These activities are financed primarily by user charges.

### **Fund Financial Statements**

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Tax Increment Financing, 3) the Debt Service Fund, and 4) the Capital Projects Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements, and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The city maintains four Enterprise Funds to provide separate information for the Water Fund, Electric Fund, Sewer Fund and Gas Fund.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements, and changes in cash balances.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, to \$1,138,691 from \$799,225. The analysis that follows focuses on the changes in cash balances for governmental activities and business-type activities.

### Changes in Cash Basis Net Position of Governmental Activities

	Year Ended June 30,	
	2015	2014
Receipts:		
Program Receipts:		
Charges for Service .....	\$145,107	\$137,670
Operating Grants & Contributions .....	186,725	225,326
General Receipts		
Property Tax .....	523,530	477,207
Tax Increment Financing Collections .....	502,515	401,658
Local Option Sales Tax .....	148,330	137,055
Interest .....	2,497	5,089
Other General Receipts .....	70,908	67,262
Sale of Assets .....	21,336	2,849
Proceeds from Financing .....	400,000	-
Total Receipts	2,000,948	1,454,116
Disbursements:		
Public Safety .....	176,106	187,162
Public Works .....	239,556	265,821
Health and Social Services .....	229	1,270
Culture and Recreation .....	157,115	153,611
Community and Economic Development .....	116,516	29,102
General Government .....	90,632	90,650
Debt Service .....	300,859	671,000
Capital Projects .....	376,278	452,737
Total Disbursements	1,457,291	1,851,353
Change in Cash Basis Net Position Before Transfers	543,657	(397,237)
Net Transfers .....	(204,191)	(94,575)
Cash Basis Net Position – Beginning of Year .....	799,225	1,277,255
Prior Period Adjustment .....	-	13,782
Cash Basis Net Position – Beginning of Year Restated .....	799,225	1,291,037
Cash Basis Net Position – End of Year .....	\$1,138,691	\$799,225

### Changes in Cash Basis Net Position of Business Type Activities

	2015	2014
Receipts:		
Operating Receipts:		
Water .....	\$240,180	\$236,107
Electric .....	975,710	955,637
Sewer .....	135,483	137,697
Gas .....	521,080	856,975
Interest .....	6,164	6,577
Total Receipts	1,878,617	2,232,993
Disbursements:		
Water .....	312,144	245,956
Electric .....	1,048,895	951,151
Sewer .....	316,998	146,577
Gas .....	588,549	770,044
Total disbursements	2,266,586	2,113,728
Change in Cash Basis Net Position, Before Transfers .....	(387,969)	119,265
Net Transfers .....	204,191	94,575
Cash Basis Net Position – Beginning of Year .....	1,939,329	1,725,489
Cash Basis Net Position – End of Year .....	\$1,755,551	\$1,939,329



## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Alton completed the year, its governmental funds reported a combined cash balance of \$1,138,691, an increase of \$339,466 over last year's total of \$799,225.

The cash balance in the General fund decreased by approximately \$26,800 during 2015 due primarily to less transfers in during 2015. The Debt Service fund cash balance decreased by approximately \$4,700 due to levying less and using cash balance to pay bond principal and interest. Capital Streets fund cash balance increased by approximately \$363,400 due to receiving bond proceeds for street projects. The Tax Increment Financing fund cash balance increased approximately \$81,500 due to GO Bond principle and interest payments and a rebate payment outlined in a development agreement.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

As the City of Alton completed the year, its business type funds reported a combined cash balance of \$1,755,551, a decrease of \$183,778 over last year's total of \$1,939,329. The decrease is due to increased repair and maintenance costs and meter replacement/automated metering installation.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. This amendment was approved on June 9, 2015 and resulted in an increase in budgeted disbursements of \$411,595.

## DEBT ADMINISTRATION

A comparison of the City's debt outstanding at June 30, 2015 to June 30, 2014 follows:

	Year Ended June 30,	
	2015	2014
G.O. Bonds and Notes .....	\$ 1,575,000	\$ 1,430,000
Water Revenue Bonds .....	59,000	65,000
Gas Revenue Bonds .....	573,000	606,000
Total	<u>\$ 2,207,000</u>	<u>\$ 2,101,000</u>

Additional information on the City's long-term debt can be found in Note 3.

## ECONOMIC FACTORS

The City purchased a used dump truck for streets and the utility departments at a cost of \$32,075.

The City purchased a used truck and had it converted into a new snowplow for streets at a cost of \$85,112.

The City purchased a new Cat Mini Excavator at a cost of \$55,590.

The City leased a John Deere lawnmower with snow blower and brush for \$6,969.

The City installed new roofs on the pool bath house and the park shelter house.

The City began a project to install all new water and electric meters as well as half of the natural gas meters. The City also purchased hardware and software to convert all utility meters to Automated Radio Read. The amount spent this fiscal year is \$157,803.

The City completed a project to convert overhead electric distribution lines to underground lines along First Avenue. This project was over a multiyear period.

The City completed several projects of televising and jetting sanitary sewer lines. The City also completed a sewer main lining project on 10<sup>th</sup> Street at a cost of \$42,609.

The City completed upgrading and replacing the lift station controls at the Division Street Lift Station, at a cost of \$35,785.

The City purchased and replaced one of the two lift station pumps at the Division Street Lift Station, at a cost of \$15,183.

The City began a project that included purchasing and removing dilapidated mobile homes using LMI funds. One of the properties was donated to Habitat for Humanity to construct a home.

The City provided financial incentives to a party who purchased an existing sports bar and grille.

The City provided financial incentives to a party who established a sports bar and grille.

The City provided financial incentives to the City of Orange City towards a new nursing home.

Four new residential housing units were completed.

Two new commercial buildings were constructed.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact Dale Oltmans, City Administrator, Alton, Iowa.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF ALTON, IOWA**  
**STATEMENT OF ACTIVITIES AND NET POSITION - CASH BASIS**  
**For the Year Ended June 30, 2015**

Functions/Programs	Disbursements	Program Receipts	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
Governmental Activities:			
Public Safety	\$ 176,106	\$ 12,991	\$ 33,788
Public Works	239,556	85,054	126,443
Health and Social Services	229	-	-
Culture and Recreation	157,115	17,490	26,494
Community and Economic Development	116,516	-	-
General Government	90,632	29,572	-
Capital Outlay	376,278	-	-
Debt Service:			
Principal	255,000	-	-
Interest and Fees	45,859	-	-
Total Governmental Activities	1,457,291	145,107	186,725
<b>Business-Type Activities:</b>			
Electric Utility	1,048,895	975,710	-
Sewer Utility	316,998	135,483	-
Water Utility	312,144	240,180	-
Gas Utility	588,549	521,080	-
Total Business-Type Activities:	2,266,586	1,872,453	-
Total Primary Government	\$ 3,723,877	\$ 2,017,560	\$ 186,725

General Receipts:  
Property taxes  
Tax Increment Financing  
Local Option Sales Tax  
Interest  
Grants and Contributions Not Restricted to Specific Purposes  
Sale of Assets  
Miscellaneous  
Proceeds from Financing  
Interfund Transfers  
Total general receipts and transfers  
Change in cash basis net position  
Net position cash basis - beginning  
Cash basis net position, ending

Cash Basis Net Position  
Restricted:  
Streets  
Economic Development  
Debt Service  
Local Option Sales Tax  
Employee Benefits  
Unrestricted  
Total Cash Basis Net Position

See Accompanying Notes to Financial Statements

Net (Disbursements) Receipts and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (129,327)		\$ (129,327)
(28,059)		(28,059)
(229)		(229)
(113,131)		(113,131)
(116,516)		(116,516)
(61,060)		(61,060)
(376,278)		(376,278)
(255,000)		(255,000)
(45,859)		(45,859)
<u>(1,125,459)</u>		<u>(1,125,459)</u>
	\$ (73,185)	(73,185)
	(181,515)	(181,515)
	(71,964)	(71,964)
	<u>(67,469)</u>	<u>(67,469)</u>
	<u>(394,133)</u>	<u>(394,133)</u>
<u>(1,125,459)</u>	<u>(394,133)</u>	<u>(1,519,592)</u>
523,530	-	523,530
502,515	-	502,515
148,330	-	148,330
2,497	6,164	8,661
27,769	-	27,769
21,336	-	21,336
43,139	-	43,139
400,000	-	400,000
<u>(204,191)</u>	<u>204,191</u>	<u>-</u>
<u>1,464,925</u>	<u>210,355</u>	<u>1,675,280</u>
339,466	(183,778)	155,688
799,225	1,939,329	2,738,554
<u>1,138,691</u>	<u>1,755,551</u>	<u>2,894,242</u>
61,902	-	61,902
148,178	-	148,178
55,779	77,216	132,995
101,556	-	101,556
66,779	-	66,779
<u>704,497</u>	<u>1,678,335</u>	<u>2,382,832</u>
<u>\$ 1,138,691</u>	<u>\$ 1,755,551</u>	<u>\$ 2,894,242</u>

See Accompanying Notes to Financial Statements

**CITY OF ALTON, IOWA**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS**  
**AND CHANGES IN CASH BALANCES**  
**Governmental Funds**  
**As of and For the Year Ended June 30, 2015**

	General	Special Revenue	
		Local Option Sales Tax	Tax Increment Financing
Receipts:			
Property Taxes	\$ 284,370	\$ -	\$ -
Tax Increment Financing	-	-	394,445
Licenses and Permits	18,108	-	-
Intergovernmental	43,521	148,330	19,730
Charges for Services	109,317	-	-
Fines	1,055	-	-
Special Assessments	-	-	-
Rental of City Property	8,934	-	-
Interest on Investments	1,238	-	338
Miscellaneous	33,923	-	-
Total Receipts	500,466	148,330	414,513
Disbursements:			
Public Safety	176,106	-	-
Public Works	107,789	-	-
Health and Social Services	229	-	-
Culture and Recreation	146,838	-	-
Community and Economic Development	15,943	-	82,933
General Government	79,132	-	-
Capital Projects	21,000	-	-
Debt Service:			
Principal Retirement	-	-	-
Interest and Fees	-	-	-
Total Disbursements	547,037	-	82,933
Excess (Deficiency) of Receipts to Disbursements	(46,571)	148,330	331,580
Other financing sources (uses):			
Proceeds from Debt Financing	-	-	-
Sale of Assets	200	-	-
Transfers In	83,891	-	-
Transfers Out	(64,312)	(143,557)	(250,114)
Total other financing sources (uses)	19,779	(143,557)	(250,114)
Change in Cash Balances	(26,792)	4,773	81,466
Cash Balances Beginning of Year	191,325	96,783	4,237
Cash Balances End of Year	\$ 164,533	\$ 101,556	\$ 85,703
Cash Basis Fund Balances			
Restricted for:			
Debt service	\$ -	\$ -	\$ -
Economic Development	52,411	-	85,703
Streets	-	-	-
Employee Benefits	-	-	-
Other Purposes	-	101,556	-
Assigned to:			
Capital Equipment	-	-	-
Capital Improvements	-	-	-
Library	42,273	-	-
Fire Department	46,849	-	-
Recreation Board	6,914	-	-
Historical Board	6,137	-	-
Unassigned	9,949	-	-
Total Cash Basis Fund Balances	\$ 164,533	\$ 101,556	\$ 85,703

See Accompanying Notes to Financial Statements

Capital Project Capital Streets	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 208,960	\$ 32,200	\$ 523,530
-	-	108,070	502,515
-	-	-	18,108
-	4,528	126,802	342,911
-	-	-	109,317
-	-	-	1,055
-	6,833	-	6,833
-	-	1,100	10,034
-	357	564	2,497
-	-	28,889	62,812
-	218,678	297,625	1,579,612
-	-	-	176,106
-	-	131,767	239,556
-	-	-	229
-	-	10,277	157,115
-	-	17,640	116,516
-	-	11,500	90,632
36,603	-	318,675	376,278
-	255,000	-	255,000
-	45,859	-	45,859
36,603	300,859	489,859	1,457,291
(36,603)	(82,181)	(192,234)	122,321
-	400,000	-	400,000
-	-	21,136	21,336
400,000	77,500	234,801	796,192
-	(400,000)	(142,400)	(1,000,383)
400,000	77,500	113,537	217,145
363,397	(4,681)	(78,697)	339,466
26,452	60,460	419,968	799,225
\$ 389,849	\$ 55,779	\$ 341,271	\$ 1,138,691
\$ -	\$ 55,779	\$ -	\$ 55,779
-	-	10,064	148,178
-	-	61,902	61,902
-	-	66,779	66,779
-	-	-	101,556
-	-	53,303	53,303
389,849	-	149,223	539,072
-	-	-	42,273
-	-	-	46,849
-	-	-	6,914
-	-	-	6,137
-	-	-	9,949
\$ 389,849	\$ 55,779	\$ 341,271	\$ 1,138,691

See Accompanying Notes to Financial Statements

**CITY OF ALTON, IOWA**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,**  
**AND CHANGES IN CASH BALANCES**  
**Proprietary Funds**  
**As of and For the Year Ended June 30, 2015**

	<b>Enterprise Funds</b>	
	<b>Electric Utility</b>	<b>Water Utility</b>
Operating Receipts:		
Charges for Services	\$ 975,710	\$ 240,180
Total Operating Receipts	<u>975,710</u>	<u>240,180</u>
Operating Disbursements:		
Operating Disbursements	942,758	300,895
Capital Outlay	106,137	4,111
Total Operating Disbursements	<u>1,048,895</u>	<u>305,006</u>
(Deficiency) of Receipts Over Disbursements	<u>(73,185)</u>	<u>(64,826)</u>
Non-Operating Receipts (Disbursements):		
Interest Income	2,890	1,358
Interest Expense	-	(1,138)
Principal Payments	-	(6,000)
Total Non-Operating Receipts (Disbursements)	<u>2,890</u>	<u>(5,780)</u>
(Deficiency) of Receipts Over Disbursements	<u>(70,295)</u>	<u>(70,606)</u>
Transfers In	168,347	43,585
Transfers Out	<u>(13,500)</u>	<u>(9,250)</u>
Change in Cash Balances	84,552	(36,271)
Cash Balances Beginning of Year	<u>813,291</u>	<u>408,524</u>
Cash Balances End of Year	<u><u>897,843</u></u>	<u><u>372,253</u></u>
Cash Basis Fund Balances		
Restricted for Debt Service	-	-
Unrestricted	897,843	372,253
Total Cash Basis Fund Balances	<u>\$ 897,843</u>	<u>\$ 372,253</u>

See Accompanying Notes to Financial Statements



Enterprise Funds		
Sewer Utility	Gas Utility	Total
\$ 135,483	\$ 521,080	\$ 1,872,453
135,483	521,080	1,872,453
143,679	501,804	1,889,136
173,319	26,559	310,126
316,998	528,363	2,199,262
(181,515)	(7,283)	(326,809)
997	919	6,164
-	(27,186)	(28,324)
-	(33,000)	(39,000)
997	(59,267)	(61,160)
(180,518)	(66,550)	(387,969)
31,759	-	243,691
(9,250)	(7,500)	(39,500)
(158,009)	(74,050)	(183,778)
354,979	362,535	1,939,329
196,970	288,485	1,755,551
-	77,216	77,216
196,970	211,269	1,678,335
\$ 196,970	\$ 288,485	\$ 1,755,551

See Accompanying Notes to Financial Statements

**CITY OF ALTON, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Alton is a political subdivision of the State of Iowa located in Sioux County. It was first incorporated in 1883 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, health and social services, community and economic development and general government services. The City also provides water, sewer, electrical, and natural gas utilities for its citizens.

**A. Reporting Entity**

For Financial reporting purposes, the City of Alton has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City of Alton has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: County Emergency Management Commission, Northwest Iowa Solid Waste, Northwest Iowa Economic Development Coalition, and Northwest Iowa Regional Housing Authority.

**B. Basis of Presentation**

Government-wide Financial Statements – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. The effect of interfund activity has been removed from these statements. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in two categories:

*Restricted net position* results when constraints placed on net position use is either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position that does not meet the definition of the preceding category. Unrestricted net position often has constraints on resources imposed by management, which can be removed or modified.

**CITY OF ALTON, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

Local Option Sales Tax Fund is used to account for local option sales tax collections to be used for specific purposes within the City.

Tax Increment Financing Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

Capital Project:

Capital Streets Fund is used to accumulate resources for repair and maintenance of the City's streets.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Electric Fund accounts for the operation and maintenance of the City's electric system.

The Gas Fund accounts for the operation and maintenance of the City's gas system.

**CITY OF ALTON, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus and Basis of Accounting**

The City of Alton maintains its financial records on the basis of cash receipts and disbursements which is an other comprehensive basis of accounting and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and other accrued items as well as fixed assets. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. This, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**D. Governmental Cash Basis Fund Balances**

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amount budgeted in the Community and Economic Development function.

**CITY OF ALTON, IOWA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**Note 2 – CASH AND POOLED INVESTMENTS**

The City's deposits at June 30, 2015 were entirely covered by Federal depository insurance, or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments or time deposits at June 30, 2015.

Interest Rate Risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

**NOTE 3 – BONDS AND NOTES PAYABLE**

The following is a summary of bond transactions of the City for the year ended June 30, 2015:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
	<b>Bonds and Notes Payable by Debt Service Fund</b>	<b>Bonds and Notes Paid by Enterprise Funds</b>
<b>Primary Government</b>		
Bonds and notes payable July 1, 2014	\$ 1,430,000	\$ 671,000
Plus: bonds and notes issued	400,000	-
Less: payments	(255,000)	(39,000)
Bonds and notes payable June 30, 2015	1,575,000	632,000
Due within one year	\$ 290,000	\$ 45,000

**CITY OF ALTON, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 3 – BONDS AND NOTES PAYABLE (CONTINUED)**

The City of Alton had the following outstanding bonds as of June 30, 2015:

Bond/Note	Date of Issue	Interest Rate	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2015	Due Within One Year
General Obligation-Series 2009A	09/23/09	3.00-4.05%	2020	\$55,000 - \$85,000	\$ 725,000	\$ 405,000	\$ 75,000
General Obligation-Series 2010	06/01/10	1.5-3.05%	2017	\$70,000 - \$150,000	680,000	140,000	70,000
General Obligation-Series 2013A	06/27/13	2.0-2.5%	2025	\$15,000 - \$85,000	475,000	300,000	95,000
General Obligation-Hospital	06/27/13	2.0-2.5%	2025	\$30,000 - \$35,000	395,000	330,000	35,000
General Obligation-Series 2015	6/23/15	3.25%	2035	\$15,000 - \$27,000	400,000	400,000	15,000
Water Revenue Bond	10/15/03	3.00%	2023	\$5,000 - \$8,000	125,000	59,000	7,000
Gas Revenue Bond	09/03/12	4.55%	2027	\$16,000 - \$41,000	680,000	573,000	33,000
Total Bonds Due					\$ 3,480,000	\$ 2,207,000	\$ 330,000

Annual debt service requirements to maturity of General Obligation Bonds and Notes, revolving loan fund loans, special assessment notes and Revenue Capital Loan Notes are as follows:

Year Ending June 30	Series 2009A 10 <sup>th</sup> Street Bond		Series 2010 GO Bond		Series 2013A Industrial Park Paving Bond		Refunding Series 2013B Hospital Project	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 75,000	\$15,080	\$ 70,000	\$ 4,270	\$ 95,000	\$ 4,800	\$ 35,000	\$ 7,050
2017	80,000	12,643	70,000	2,136	85,000	3,850	35,000	6,438
2018	80,000	9,843	-	-	15,000	3,000	35,000	5,825
2019	85,000	6,842	-	-	15,000	2,625	35,000	5,213
2020	85,000	3,442	-	-	15,000	2,250	30,000	4,513
2021-2025	-	-	-	-	75,000	5,625	160,000	11,626
2026-2030	-	-	-	-	-	-	-	-
2031-2035	-	-	-	-	-	-	-	-
Total	\$405,000	\$47,850	\$140,000	\$ 6,406	\$300,000	\$22,150	\$330,000	\$40,665

Year Ending June 30	Series 2015 GO Bond		Total Governmental	
	Principal	Interest	Principal	Interest
2016	\$ 15,000	\$ 13,000	\$ 290,000	\$ 44,200
2017	15,000	12,513	285,000	37,580
2018	15,000	12,025	145,000	30,693
2019	16,000	11,538	151,000	26,218
2020	16,000	11,018	146,000	21,223
2021-2025	91,000	46,736	326,000	63,987
2026-2030	107,000	30,973	107,000	30,973
2031-2035	125,000	12,510	125,000	12,510
Total	\$400,000	\$150,313	\$1,575,000	\$ 267,384

**CITY OF ALTON, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 3 – BONDS AND NOTES PAYABLE (CONTINUED)**

Year Ending June 30	Gas Utility Revenue Note		Water Revenue Bond		Total Business Type Funds	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$38,000	\$ 25,639	\$ 7,000	\$ 1,033	\$ 45,000	\$ 26,672
2017	38,000	23,910	7,000	910	45,000	24,820
2018	38,000	22,181	7,000	788	45,000	22,969
2019	43,000	20,384	7,000	665	50,000	21,049
2020	43,000	18,428	7,000	543	74,000	18,971
2021 – 2025	244,000	60,970	24,000	840	244,000	61,810
2026 – 2030	129,000	7,667	-	-	129,000	7,667
Total	\$ 573,000	\$ 179,179	\$ 59,000	\$ 4,779	\$ 632,000	\$ 183,958

The City has pledged future water utility receipts, net of specified operating disbursements, to repay \$125,000 of water revenue bonds issued in October 2003. Proceeds from the bonds provided financing for the construction of water main extensions. The bonds are payable solely from water customer net receipts and are payable through 2023. The total principal and interest remaining to be paid on the bond is \$63,779. For the current year, principal and interest paid and total customer net receipts were \$7,138 and \$(64,826), respectively.

The City has pledged future gas utility receipts, net of specified operating disbursements, to repay gas revenue bonds. These bonds were originally issued at \$680,000 in March 2009 and were refinanced in June 2013, adding an additional \$20,000 to the bond. The bond carries an interest rate of 4.55% and matures in 2027. Proceeds from the bonds provided financing for acquisition of the City's gas infrastructure. The bonds are payable solely from gas customer net receipts and are payable through 2027. The total principal and interest remaining to be paid on the bond is \$752,179. For the current year, principal and interest paid and total customer net receipts were \$60,186 and \$(7,283), respectively.

The resolution providing for the issuance of the gas revenue bond includes the following provisions:

- (a) The bond will only be redeemed from future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to the gas bond sinking accounts within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- (c) The Reserve Fund shall be used to maintain the Reserve Fund Requirement per the resolution. In each month there shall be deposited in the Reserve Fund an amount equal to 25% of the amount required by this Resolution to be deposited in such month in the Sinking Fund.
- (d) Additional monthly transfers of \$500 to a Gas Improvement Fund within the Enterprise Funds shall be made until specific minimum balances have been accumulated. Money in this account shall be used solely for the purpose of paying the cost of capital maintenance expenses or repairs to the System, including metering and billing systems, if necessary. Whenever it shall become necessary to so use the money in the Improvement Fund, the payments required above shall be continued or resumed until it shall have been restored to the required minimum amount.

The City complied with these provisions.

**CITY OF ALTON, IOWA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**NOTE 4 – PENSION PLAN**

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa, 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial



**CITY OF ALTON, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE 4 – PENSION PLAN**

cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent.

The City's contribution to IPERS for the year ended June 30, 2015 were \$34,270.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$217,259. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.0054782 percent, which was a increase of 0.0003549 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$16,261, \$11,949 and \$82,856 respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above. Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**CITY OF ALTON, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 4 – PENSION PLAN**

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability	\$ 410,505	\$ 217,259	\$ 54,140

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**NOTE 5 – RISK MANAGEMENT**

The City of Alton is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City of Alton assumes liability for any deductibles and claims in excess of coverage limitations. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**CITY OF ALTON, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 6 – INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2015, is as follows:

Transfers In	Transfers Out									
	General	Local Option Sales Tax	TIF	Debt Service	Nonmajor Governmental	Electric	Water	Sewer	Gas	Total
General	\$ -	\$ 63,557	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 63,557
Debt Service	-	-	77,500	-	-	-	-	-	-	77,500
Nonmajor Governmental	64,312	80,000	-	400,000	71,323	13,500	9,250	9,250	7,500	655,135
Electric	-	-	120,021	-	48,326	-	-	-	-	168,347
Water	-	-	24,962	-	18,624	-	-	-	-	43,586
Sewer	-	-	27,631	-	4,128	-	-	-	-	31,759
Total	\$ 64,312	\$ 143,557	\$ 250,114	\$ 400,000	\$ 142,401	\$ 13,500	\$ 9,250	\$ 9,250	\$ 7,500	\$ 1,039,884

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
2. Move revenues restricted to debt service from the fund collecting the revenues to the debt service fund as debt service payments become due.
3. TIF transfers are used to repay debt obligations from enterprise funds.

## OTHER INFORMATION

## CITY OF ALTON, IOWA

## OTHER INFORMATION

BUDGETARY COMPARISON SCHEDULE OF RECEIPTS,  
DISBURSEMENTS AND CHANGES IN BALANCES BUDGET AND ACTUAL  
(CASH BASIS)- ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS  
For the Year Ended June 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property Taxes	\$ 523,530	\$ -	\$ 523,530	\$ 519,903	\$ 519,903	\$ 3,627
TIF Revenue	502,515	-	502,515	507,530	507,530	(5,015)
Licenses and Permits	18,108	-	18,108	16,605	16,605	1,503
Intergovernmental	342,911	-	342,911	275,903	275,903	67,008
Charges for Services	109,317	1,872,453	1,981,770	1,880,526	1,880,526	101,244
Special Assessments	6,833	-	6,833	4,908	4,908	1,925
Use of Money and Property	12,531	6,164	18,695	37,850	37,850	(19,155)
Miscellaneous	63,867	-	63,867	89,325	89,325	(25,458)
Total Receipts	1,579,612	1,878,617	3,458,229	3,332,550	3,332,550	125,679
Disbursements						
Public Safety	176,106	-	176,106	203,578	204,853	28,747
Public Works	239,556	-	239,556	244,055	263,130	23,574
Health and Social Services	229	-	229	1,500	1,500	1,271
Culture and Recreation	157,115	-	157,115	178,492	185,947	28,832
Community and Economic Development	116,516	-	116,516	108,776	108,776	(7,740)
General Government	90,632	-	90,632	95,080	105,035	14,403
Capital Projects	376,278	-	376,278	176,325	393,925	17,647
Debt Service	300,859	-	300,859	293,275	303,275	2,416
Business Type / Enterprises	-	2,266,586	2,266,586	2,202,048	2,348,283	81,697
Total Disbursements	1,457,291	2,266,586	3,723,877	3,503,129	3,914,724	190,847
Excess (Deficiency) of receipts over disbursements	122,321	(387,969)	(265,648)	(170,579)	(582,174)	316,526
Other financing sources (uses):						
Proceeds from Debt Financing	400,000	-	400,000	-	400,000	-
Sale of Assets	21,336	-	21,336	28,000	28,000	(6,664)
Transfers In	796,192	243,691	1,039,883	606,486	686,486	353,397
Transfers (Out)	(1,000,383)	(39,500)	(1,039,883)	(606,486)	(686,486)	(353,397)
Total other financing sources (uses)	217,145	204,191	421,336	28,000	428,000	(6,664)
Excess of receipts and other financing sources over disbursements and other financing uses	339,466	(183,778)	155,688	(142,579)	(154,174)	309,862
Balances Beginning of Year	799,225	1,939,329	2,738,554	2,738,554	2,738,554	-
Balances End of Year	\$ 1,138,691	\$ 1,755,551	\$ 2,894,242	\$ 2,595,975	\$ 2,584,380	\$ 309,862

**CITY OF ALTON, IOWA**  
**NOTES TO OTHER INFORMATION –**  
**BUDGETARY REPORTING**  
JUNE 30, 2015

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The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Proprietary Funds. Although the adopted budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budget disbursements by \$411,595. The budget amendment is reflected in the final budgeted amounts. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the Community and Economic Development function.

**CITY OF ALTON  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM LAST FISCAL YEAR\*  
OTHER INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015**

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	<u>2015</u>
City's proportion of the net pension liability	.0054782%
City's proportionate share of the net pension liability	\$ 217,259
City's covered-employee payroll	\$ 358,468
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	60.60%
Plan fiduciary net pension as a percentage of the total pension liability	87.61%

\*The amounts presented for each fiscal year were determined as of June 30.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

**CITY OF ALTON  
SCHEDULE OF THE CITY CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST TEN YEARS  
OTHER INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015**

	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 34,270	\$ 32,011	\$ 28,699	\$ 27,269	\$ 21,327
Contributions in relation to the statutorily required contribution	(34,270)	(32,011)	(28,699)	(27,269)	(21,327)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered employee payroll	\$ 383,764	\$ 358,468	\$ 331,009	\$ 337,907	\$ 306,863
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%

  

	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 19,679	\$ 18,322	\$ 16,070	\$ 14,262	\$ 13,289
Contributions in relation to the statutorily required contribution	(19,679)	(18,322)	(16,070)	(14,262)	(13,289)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered employee payroll	\$ 295,924	\$ 288,539	\$ 265,613	\$ 248,029	\$ 231,106
Contributions as a percentage of covered-employee payroll	6.65%	6.35%	6.05%	5.75%	5.75%

See accompanying Independent Auditor's Report



**CITY OF ALTON  
NOTES TO OTHER INFORMATION –  
PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2015**

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**Changes of Benefit Terms:**

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

**Changes of Assumptions**

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

**CITY OF ALTON  
NOTES TO OTHER INFORMATION --  
PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2015**

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The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

## **SUPPLEMENTARY INFORMATION**

## CITY OF ALTON, IOWA

## COMBINING SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS AND CHANGES IN CASH BALANCES

## Governmental Nonmajor Funds

As of and For the Year Ended June 30, 2015

	Special Revenue Funds		
	Road Use Tax	Employee Benefits	Housing TIF
Receipts:			
Property Taxes	\$ -	\$ 32,200	\$ -
Tax Increment Financing	-	-	108,070
Intergovernmental	126,443	359	-
Rental of City Property	-	-	-
Interest on Investments	-	-	-
Miscellaneous	-	19,082	-
Total Receipts	126,443	51,641	108,070
Disbursements:			
Public Safety	-	-	-
Public Works	104,150	27,617	-
Culture and Recreation	-	10,277	-
Community and Economic Development	-	5,427	12,213
General Government	-	11,500	-
Capital Projects	-	-	-
Total Disbursements	104,150	54,821	12,213
Excess (Deficiency) of Receipts over Disbursements	22,293	(3,180)	95,857
Other financing sources (uses):			
Sale of Assets	-	-	-
Transfers In	-	39,855	-
Transfers Out	(22,543)	-	(95,857)
Total other financing sources (uses)	(22,543)	39,855	(95,857)
Change in Cash Balances	(250)	36,675	-
Cash Balances Beginning of Year	62,152	30,104	10,064
Cash Balances End of Year	\$ 61,902	\$ 66,779	\$ 10,064
Cash Basis Fund Balances			
Restricted for:			
Economic Development	\$ -	\$ -	\$ 10,064
Streets	61,902	-	-
Employee Benefits	-	66,779	-
Assigned to:			
Capital Equipment	-	-	-
Capital Improvements	-	-	-
Total Cash Basis Fund Balances	\$ 61,902	\$ 66,779	\$ 10,064

Capital Project Funds							Total Governmental Nonmajor Funds
Parks & Trails	Capital Equipment	Residential Development	Housing Rehabilitation	Industrial Park	Capital Building		
\$ -	\$ -	\$ -	\$ -	-	\$ -	\$	32,200
-	-	-	-	-	-		108,070
-	-	-	-	-	-		126,802
-	-	-	-	1,100	-		1,100
37	259	-	268	-	-		564
9,227	-	-	579	1	-		28,889
9,264	259	-	847	1,101	-		297,625
-	-	-	-	-	-		-
-	-	-	-	-	-		131,767
-	-	-	-	-	-		10,277
-	-	-	-	-	-		17,640
-	-	-	-	-	-		11,500
1,112	183,747	2,195	113,152	2,800	15,669		318,675
1,112	183,747	2,195	113,152	2,800	15,669		489,859
8,152	(183,488)	(2,195)	(112,305)	(1,699)	(15,669)		(192,234)
-	2,975	18,161	-	-	-		21,136
-	144,000	3,053	37,393	-	10,500		234,801
-	(24,000)	-	-	-	-		(142,400)
-	122,975	21,214	37,393	-	10,500		113,537
8,152	(60,513)	19,019	(74,912)	(1,699)	(5,169)		(78,697)
8,223	113,816	1,398	163,204	17,904	13,103		419,968
\$ 16,375	\$ 53,303	\$ 20,417	\$ 88,292	\$ 16,205	\$ 7,934	\$	341,271
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$	10,064
-	-	-	-	-	-		61,902
-	-	-	-	-	-		66,779
-	53,303	-	-	-	-		53,303
16,375	-	20,417	88,292	16,205	7,934		149,223
\$ 16,375	\$	\$ 20,417	\$ 88,292	\$ 16,205	\$ 7,934	\$	341,271



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS**

To the Honorable Mayor and  
Members of the City Council  
City of Alton  
Alton, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Alton, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City of Alton, Iowa's basic financial statements and have issued our report thereon dated December 21, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Alton's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Alton's internal control. According, we do not express an opinion on the effectiveness of the City of Alton's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2015-001 and 2015-002 to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Alton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contract and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-

compliance that are required to be reported under *Government Auditing Standards*. Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

**City of Alton, Iowa's Responses to Finding**

The City of Alton's responses to findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the City of Alton's responses and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of the City of Alton during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

*Williams + Company, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
December 21, 2015

**CITY OF ALTON, IOWA  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**Part I – Summary of the Independent Auditor's Results:**

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

**Part II – Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

**No matters were reported.**

**MATERIAL WEAKNESSES:**

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**2015-001 Financial Accounting – Segregation of Duties**

Condition and Criteria – The City accountant is involved in almost all phases of the finance operations, including check preparation, preparation of journal entries, as well as financial reporting and statements. Internal controls should be in place to provide reasonable assurance that individuals' financial accounting duties are properly reviewed.

Effect – Because of insufficient review procedures, the financial accounting is susceptible to an increased risk of errors and omissions and risk of fraud and/or misappropriation of assets.

Cause – With a limited number of personnel and time-constraints, review of all financial accounting activities is not feasible.

Recommendation –The City should implement adequate review procedures where feasible and continued monitoring should be done where implementation is not feasible.

Views of Responsible Officials – The City feels that hiring additional personnel to implement further review procedures would not be cost effective. However, management has and will continue to monitor transactions on a regular basis.

**2015-002 Financial Reporting – Material Adjusting Journal Entries**

Condition and Criteria –The auditors were required to propose and have management post adjusting journal entries to the fund financial statements to conform with government accounting standards. Management is responsible for the presentation of financial statements in accordance with government accounting standards.

Effect – The financial statements provided by management are not presented entirely in accordance with government accounting standards.



**CITY OF ALTON, IOWA  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

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Cause – With a limited number of personnel and current staff workload, the time-constraints and staff expertise do not allow for all required year end adjusting journal entries to be posted.

Recommendation – We recommend that the City train additional business office staff on government accounting standards to help reduce the amount of adjusting journal entries and increase their knowledge of the required reporting standards.

Views of Responsible Officials – The City feels that hiring additional personnel to implement the additional adjusting journal entries would not be cost effective. However, management has and will continue to monitor this process on a regular basis.

**Part III – Other Findings Related to Statutory Reporting**

**2015-003 Certified Budget**

Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the Community and Economic Development function

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

**2015-004 Questionable Disbursement**

We noted no disbursements that did not meet the requirements of public purpose as defined in the Attorney General's Opinion dated April 25, 1979.

**2015-005 Travel Expense**

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

**2015-006 Business Transactions**

There were no business transactions between the City and City officials or employees noted.

**2015-007 Bond Coverage**

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

**2015-008 Council Minutes**

No transactions were found that we believe should have been approved in the Council minutes but were not.

**2015-009 Revenue Notes**

The City was in compliance with the requirements of its revenue notes.

**CITY OF ALTON, IOWA  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**2015-010 Deposits and Investments**

No instances of noncompliance with deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policies were noted.

**2015-011 Urban Renewal Annual Report**

The urban renewal annual report was approved and certified to the Iowa Department of Management on or before December 1.